

LOPITO A. MARCOS, PETITIONER, VS. GIL BAUTISTA, REPRESENTED BY EDGAR DE ASIS, RESPONDENT.

Ponente: DICDICAN, J.

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DICDICAN, J.:

Before us is a Petition for Review[1] filed by the petitioner Lopito A. Marcos (“petitioner”) seeking a review of the Decision[2] dated June 3, 2013 rendered by Branch 75 of the Regional Trial Court in Olongapo City, Third Judicial Region, in Civil Case No. 158012 which affirmed the Decision[3] dated October 19, 2012 of Branch 1 of the Municipal Trial Court in Cities (“MTCC”) in Olongapo City.

The material and relevant facts of the case, as culled from the record, are as follows:

In the year 2000, the petitioner entered into a Contract of Lease[4] with the respondent Gil Bautista whereby the former occupied a property which consisted of a house and lot situated in Lot 6, Block 6-B, Duhat St., Gordon Heights, Olongapo City. The petitioner paid a monthly rental amounting to P2,500.00. In 2006, the monthly rental rate was increased to P3,000.00 and, in 2009, another increase was agreed upon by the parties which amounted to P5,000.00 per month.

In December 2008, by reason of the petitioner's default in the payment of his monthly rentals from January 2006 to November 2008, the respondent informed the latter of his intention to sell the property. The respondent offered to sell the property to the petitioner for the amount of One Million Five Hundred Thousand Pesos (P1.5m) with the condition that his monthly arrears from January 2006 until November 2008 must likewise be settled.

Sometime in January of 2009, as petitioner's partial payment for the subject property, the respondent's attorney-in-fact, Mr. Paul Leandro Bautista, executed an Acknowledgment Receipt for the petitioner's intended partial payment of Seven Hundred Fifty Thousand Pesos (P750,000.00). Since the petitioner still had to apply for a loan from a bank to be able to pay for the balance, no payment terms yet were agreed upon by the parties.

Two years later, for petitioner's failure to settle the unpaid amount of the purchase price, the respondent sent a letter to the petitioner dated May 19, 2011, portions of which are cited herein as follows[5]:

“For the reason that you have not paid your balance for such a long period of time, our clients are backing out, they will not sell their property anymore and for this, they are willing to return the amount of Php750,000.00 which you paid in advance but they have to deduct the rentals from the time you stopped paying the same.”

In response thereto, a letter dated June 27, 2011 was written by the petitioner's counsel to the respondent which read[6]:

“Please be informed that Mr. Marcos is amenable to the return of Php750,000.00, representing the amount paid to your clients in 2009 for the sale of a house and lot at L6 B6-B Duhat St., Gordon Heights, Olongapo City. However, our client is not willing to pay the rentals being charged.

“Our client spent around Php200,000.00 for the improvement of the property consisting of the concrete fence, installation of two (2) toilet bowls, tiles (floor and wall) for the two (2) toilet rooms and painting works done in

the interior of the house. All of these improvements will inure to the benefit of your client.

“The rentals being charged amounting to Php84,000.00 can be deducted from the cost of the improvements and the remaining balance to be added to the amount of Php750,000.00.”

On July 15, 2011, the respondent sent another letter[7] to the petitioner which stated his refusal to shoulder the expenses for the improvements already introduced on the subject property by the petitioner on the ground that the same was made without his knowledge or consent. Instead, he reiterated his willingness to return the amount already advanced by the petitioner which amounted to Php750,000.00 minus the rental arrears in the total of Php148,000.00. Furthermore, the respondent demanded that the petitioner vacate the subject premises immediately.

Despite the foregoing demand, the petitioner, in a letter dated September 13, 2011, insisted that he was entitled to the reimbursement for the expenses that he incurred for the repairs and improvements made on the subject property since the same would inure to the benefit of the respondent. The petitioner likewise demanded for the return of the partial payment that he made for the subject property but, at this time, he denied any liability for the payment of the accrued rentals and asserted that they had already bought the premises from the respondent, hence, he was no longer a mere lessee thereof[8].

By reason of the petitioner's continued refusal to vacate the subject property, the respondent filed a Complaint for Ejectment[9] with the Municipal Trial Court in Cities on December 12, 2011 which was docketed as Civil Case No. 7380. In the complaint, the respondent asserted that, since the sale was not consummated, the petitioner must vacate the subject property and surrender possession of the same. Moreover, the petitioner must be held liable for the payment of the accrued monthly rentals, plus attorney's fees and costs of the suit.

The petitioner filed his Answer with Counterclaim[10] on February 13, 2013 which denied any liability for monthly rental payments. In his Answer, he alleged that there was no condition that monthly rentals should still be paid with respect to the subject property until the perfection of the sale. For the petitioner, the sale had already been perfected between him and the respondent. With the perfection of the sale, the petitioner, as lawful owner, had already introduced substantial improvements on the property amounting to Php200,000.00. Thus, the respondent had no right whatsoever to evict him from the subject premises.

Consequently, the case was set for pre-trial conference on August 22, 2012 and a Pre-trial Order[11] was issued thereafter.

After the parties had complied with the pre-trial order, the MTCC rendered its judgment on October 19, 2012, in favor of herein respondent, the dispositive portion of which reads as follows:

“WHEREFORE, foregoing considered, judgment is hereby rendered in favor the plaintiff and against the defendant Lopito Marcos ordering:

1. the defendant to vacate the disputed property located at L6 B6-B, Duhat St., Gordon Heights, Olongapo City and to return the complete physical possession thereof to the plaintiff;
2. to pay the plaintiff the sum of Php148,000.00 as accrued rentals until July 2011;
3. to pay the plaintiff the sum of Php3,000.00 per month as reasonable rental for the use of the property from August, 2011 until the possession is peaceably surrendered to the plaintiff;
4. to pay the plaintiff the sum of Php20,000.00 as attorney's fee;
5. to pay litigation expenses.

“SO DECIDED.”

Appalled, the petitioner appealed from the said decision to the Regional Trial Court (“RTC”) of Olongapo City.

On June 3, 2013, Branch 75 of the RTC of Olongapo City affirmed the judgment rendered by the MTCC the dispositive portion of which reads, thus:

“WHEREFORE, the appeal is dismissed and the Decision dated October 19, 2012 of Branch 1, Municipal Trial Court in Cities, Olongapo City is affirmed.

“SO DECIDED.”

Unstirred by the foregoing disposition of the RTC, the petitioner filed the instant petition with this Court assigning the following errors purportedly committed by the RTC:

I.

THE REGIONAL TRIAL COURT COMMITTED A GRAVE ERROR OF FACTS AND/OR THE LAW IN HOLDING THAT THE RESPONDENT HAD SUFFICIENT EVIDENCE TO ENTITLE HIM TO THE POSSESSION OF THE PROPERTY.

II.

THE REGIONAL TRIAL COURT COMMITTED A GRAVE ERROR OF THE FACTS AND/OR THE LAW IN ITS NON-APPRECIATION OF THE SALE TRANSACTION RESPECTING THE SUBJECT PROPERTY.

III.

THE REGIONAL TRIAL COURT COMMITTED A GRAVE ERROR OF THE FACTS AND/OR THE LAW IN DISMISSING THE APPEAL CONSIDERING THAT THE PETITIONER HAD ALREADY PAID A SUBSTANTIAL AMOUNT OF THE SALE PRICE TO THE RESPONDENT.

IV.

THE REGIONAL TRIAL COURT COMMITTED A GRAVE ERROR OF THE FACTS AND/OR THE LAW IN FINDING THAT THE RESPONDENT WAS ENTITLED TO THE PAYMENT OF RENTALS AND ATTORNEY'S FEES AND THAT THE PETITIONER MUST VACATE THE PREMISES.

The primordial issue to be resolved in this case is whether the RTC erred in affirming the decision of the MTCC that the petitioner could be validly evicted from the subject property despite the fact that partial payment had already been made for the purchase of the said premises.

After a careful and judicious scrutiny of the whole matter, together with the applicable laws and jurisprudence in the premises, we find the instant petition to be meritorious.

The petitioner averred that, with the perfection of the sale of the subject property between him and the respondent, the latter had no right to evict him. He continued to contend that his failure to pay the balance of the purchase price for the subject property does not ipso facto rescind the contract of sale nor make the same void.

The respondent countered that the fact that the property is registered in his name was sufficient evidence that he had an absolute right to eject the petitioner from his premises. He also insinuated that there was no valid sale transaction, considering that one of the elements for a valid contract of sale was wanting, i.e., there was no agreement as to the manner of payment of the purchase price.

Prefatorily, we restate a now settled doctrine[12]. Where the issue of possession in an unlawful detainer suit is closely intertwined with the issue of ownership, as in this case, the MTCC can provisionally resolve the issue of ownership for the sole purpose of determining the issue of possession[13]. The judgment, however, is not conclusive in any action involving title or ownership and will not bar an action between the same parties respecting title to the land or building[14].

After carefully examining the records of this case, we are constrained to reverse the RTC's decision. First, it was erroneous and without factual basis to conclude that the respondent and the petitioner entered into a Contract to Sell. Rather, there was no evidence to prove that the respondent reserved his title to the subject property. In respondent's complaint, position paper and affidavit with the MTCC, the respondent never alleged that there was a reservation of his title to the subject property. While the price was payable on installment, there was no agreement between the petitioner and the respondent that the latter reserved his title thereto, conditioning the transfer of ownership upon full payment of the price[15].

In *Dignos v. Court of Appeals*[16], the Supreme Court had said that, although denominated as "Deed of Conditional Sale", a sale is still absolute where the contract is devoid of any proviso that title is reserved or the right to unilaterally rescind is stipulated, e.g., until or unless the price is paid. Ownership will then be transferred to the buyer upon actual or constructive delivery (e.g. by the execution of a public document) of the property sold. Where the condition is imposed upon the perfection of the contract itself, the failure of the condition would prevent such perfection. If the condition is imposed on the obligation of a party which is not fulfilled, the other party may either waive the condition or refuse to proceed with the sale[17].

In *People's Industrial and Commercial Corporation v. Court of Appeals*[18], it was stated:

"A deed of sale is considered absolute in nature where there is neither a stipulation in the deed that title to the property sold is reserved in the seller until full payment of the price, nor one giving the vendor the right to unilaterally resolve the contract the moment the buyer fails to pay within a fixed period."

Also, in one case, the Supreme Court ruled that, when the sellers declared in a "Receipt of Down Payment" that they received an amount as purchase price for a house and lot without any reservation of title until full payment of the entire purchase price, the implication was that they sold their property[19].

Applying these principles to this case, it cannot be gainsaid that the contract of sale between the parties is absolute, not conditional. There is no reservation of ownership nor a stipulation providing for a unilateral rescission by either party. In fact, the sale was consummated upon the delivery of the subject premises to the petitioner[20]. Patently therefore, the oral contract was a contract of sale, not a contract to sell. It is in a contract to sell that ownership is, by agreement, reserved in the seller and is not to pass to the buyer until full payment of the purchase price[21].

Verily, it is undisputed that there was a verbal agreement between the petitioner and the respondent for the sale of the subject property. The sale of the subject property, although not in writing, had been perfected as the parties had agreed upon the object of the contract, which was L6 B6-B Duhat St., Gordon Heights, and the price, which was P1,500,000.00. Similarly, no written form is really required for the validity of a contract of sale. But, as correctly observed by the trial court, the term or manner of payment of the purchase price had not been agreed upon by the parties. Thus, the respondent should seek the intervention of the court to fix the period as to when the petitioner should pay in full the consideration of the sale. Where the period has been fixed by the court and the petitioner refused to pay the remaining balance of P750,000.00, that would be the opportune time for the respondent to cause the rescission of the oral contract. As it is, however, the respondent could not rescind or cancel the contract on the ground that the petitioner failed to pay the remaining balance of the purchase price

because he had no cause for cancellation or rescission yet in view of the fact that no period had been agreed upon by him and the petitioner. Thus, unless the contract of sale is rescinded, it remains to be valid.

Anent the respondent's decision to cancel the sale and refund the amount already advanced by the petitioner, we find that respondent neither notified the petitioner by notarial act that he was rescinding the sale nor did he file a case in court to rescind the sale[22]. In addition, the records do not show the respondent's compliance with the requirements of the Realty Installment Buyer Protection Act which provides that actual cancellation should take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by notarial act and upon full payment of the cash surrender value to the buyer.

While the petitioner is the registered owner of the subject property, he had no cause to eject the petitioner for alleged unlawful detainer since a finding of unlawfulness of petitioner's possession thereof depends upon the rescission of their contract of sale.

Ostensibly, under the circumstances, the petitioner's claim of ownership is valid, absent a valid rescission or cancellation of the contract of sale. Hence, he was properly within his rights when he refused to vacate the subject property.

WHEREFORE, the instant petition is GRANTED. The assailed Decision dated June 3, 2013 rendered by Branch 75 of the Regional Trial Court in Olongapo City in Civil Case No. 158012 is hereby REVERSED and SET ASIDE and a new one is entered DISMISSING the complaint for unlawful detainer.

SO ORDERED.

Peralta, Jr.,[*] and Paredes, JJ., concur.

[*]Acting Senior Member vice J. Elbinias per Office Order No. 221-14-ABR dated May 21, 2014

[1] Rollo, Petition, pp. 9-25.

[2] Ibid, pp. 26-29.

[3] Ibid, Decision, pp. 31-34.

[4]Ibid, pp. 15-20.

[5] Ibid, p. 77.

[6] Ibid, p. 80.

[7] Ibid, pp. 15-20.

[8] Ibid, p. 79.

[9] Ibid, pp. 41-44.

[10]Ibid, pp. 49-54.

[11] Ibid, Order, pp. 88-89.

[12] Heirs of Basilisa Hernandez v. Vergara, Jr., G.R. No. 166975, September 15, 2006, 502 SCRA 163, 169

[13] Ibid.

[14] Rules of Court, Rule 70, Sec. 18.

[15] See *Agag v. Alpha Financing Corporation*, G.R. No. 154826, July 31, 2003, 407 SCRA 602, 608; *Heirs of Jesus M. Mascunana v. Court of Appeals*, G.R. No. 158646, June 23, 2005, 461 SCRA 186, 203-204; *Dignos v. Court of Appeals*, No. L-59266, February 29, 1988, 158 SCRA 375, 382.

[16] 158 SCRA 375.

[17] Art. 1545, New Civil Code.

[18] 346 Phil. 189, 204 (1997).

[19] *Mascunana v. Court of Appeals*, G.R. No. 158646, June 23, 2005.

[20] Article 1477, New Civil Code.

[21] *Agag v. Alpha Financing Corporation*, *Ibid*.

[22] *Dignos v. Court of Appeals*, *Supra*.

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